

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Machado Analyst: Marion Mann DeJong Bill Number: AB 765

Related Bills: See Legislative History Telephone: 845-6979 Amended Date: 05/11/1999

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Manufacturers' Investment Credit/Extend To Mineral Extraction Activities

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

☒ DEPARTMENT POSITION CHANGED TO Neutral.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 24, 1999, STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

Under the Bank and Corporation Tax Law (B&CTL), this bill would expand the Manufacturers' Investment Credit (MIC) to include specified activities related to extracting nonmetallic minerals described in Standard Industrial Classification (SIC) Codes 1411 to 1499.

SUMMARY OF AMENDMENT

The May 11, 1999, amendments clarified that only those taxpayers described in SIC Codes 1411 to 1499, inclusive, would qualify for the MIC for property used for extracting. These amendments prevent the expansion of activities qualifying for the MIC under current law.

The May 11, 1999, amendments also made cross-reference changes to accommodate revisions that were inadvertently omitted in AB 2798 (Stats. 1998, Ch. 323) and changes made by this bill. AB 2798 extended the MIC to manufacturers of custom or prepackaged computer software partly by adding computers and computer peripheral equipment to the definition of "qualified property." However, AB 2798 failed to modify two references to "qualified property" contained in another subdivision.

The amendments resolved the Technical Considerations raised in the department's analysis of the bill as introduced February 24, 1999. Except for the Technical Considerations and the Board Position, the department's prior analysis still applies. The Implementation Consideration from the department's analysis of the bill as introduced is reiterated below. In addition, the Board Position is changed from pending to reflect action taken by the Franchise Tax Board at its last meeting.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input checked="" type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Department/Legislative Director Date

Johnnie Lou Rosas **5/24/1999**

IMPLEMENTATION CONSIDERATIONS

This bill does not make a corresponding change to the MIC under the Personal Income Tax Law (PITL), which may cause taxpayer confusion. Taxpayers that are shareholders of an S corporation may be especially confused since the credit could not flow from the S corporation to the shareholder. This could lead to disputes between taxpayers and the department.

BOARD POSITION

Neutral.

At its March 23, 1999, meeting, the Franchise Tax Board voted 2-0 to take a neutral position on this bill as introduced.